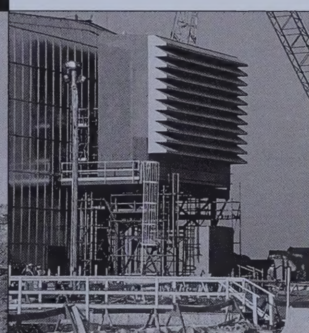
Athabasca Oil Sands Trust

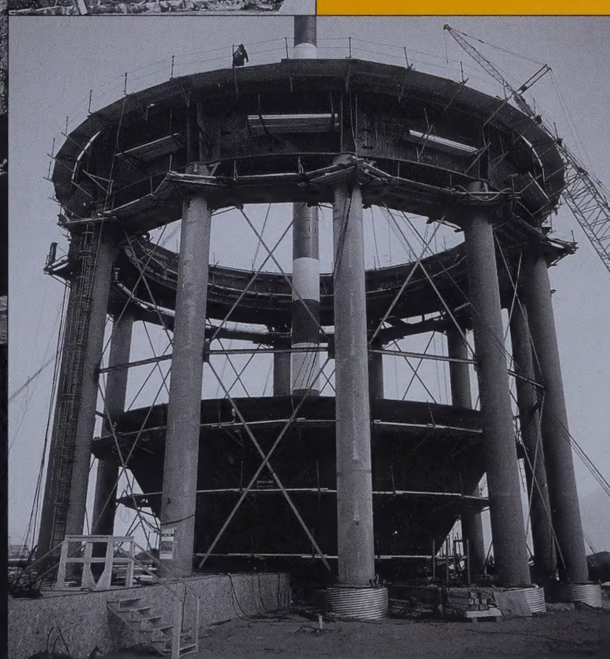
1998 Annual Report

INVESTING FOR THE FUTURE



1998

ANNUAL REPORT



Building for the future

Created in 1995 when Athabasca Oil Sands Investments Inc. acquired the Province of Alberta's 11.74 percent working interest in the Syncrude project, Athabasca Oil Sands Trust was the first opportunity for direct public investment in Syncrude and oil sands development in northern Alberta. Syncrude operates major oil sands mines, a utilities plant and bitumen extraction and upgrading facilities at Mildred Lake, near Fort McMurray. In 1998, Syncrude produced a record 76.7 million barrels of Syncrude Sweet Blend (SSB), a light 32° API sweet crude oil, meeting about 12 percent of Canada's crude oil requirements. SSB is an increasingly sought after product as refineries seek ways to meet low-sulphur diesel specifications and replace declining North American conventional light sweet crude oil production.

FINANCIAL HIGHLIGHTS

	1998	1997	1996
ATHABASCA OIL SANDS TRUST			
Revenues *(millions of dollars)*	**$ 171.9**	$ 245.9	$ 254.3
Distributable income from operations *(millions of dollars)*	**$ 1.4**	$ 44.6	$ 50.0
Distribution *(dollars per Trust Unit)*	**$ 0.05**	$ 1.65	$ 1.94
Gross reserves of synthetic crude oil *(millions of barrels)*	**285***	294*	252
** includes 51 million barrels of proved undeveloped reserves associated with Aurora Mine development.*			
SYNCRUDE			
Operating costs *(dollars per barrel)*	**$ 13.58**	$ 13.78	$ 13.70
Production *(thousands of barrels per day)*	**210**	207	201

Record volumes and capital expenditures

This was a very challenging year for the Athabasca Oil Sands Trust and other participants in the Syncrude joint venture as crude oil prices fell to levels not experienced since 1986. The Trust's average 1998 price received for Syncrude Sweet Blend (SSB) after the effects of currency hedging was off over 30 percent. Despite this sharp decline, Athabasca reported net income of $10.8 million or $0.40 per Trust unit, reflecting record annual volumes averaging 24,500 barrels per day (Athabasca's share) and lowest-ever Syncrude operating costs of $13.58 per barrel.

Volumes benefited from the first full year of production from the new mine train (mining and processing equipment required to recover, prepare and transport ore for recovery) opened at the North Mine in September, 1997 and from the completion of the first phase of the upgrader debottleneck project (Debottleneck I).

It was also an exciting milestone year, as Syncrude shipped its one billionth barrel of SSB on April 16, 1998. There were numerous other accomplishments:

- Record daily production of 313,000 barrels of bitumen, set on Christmas Day
- Record annual bitumen production of 92.1 million barrels
- Record monthly production of 7.5 million barrels of SSB set in June
- Record second quarter shipments of 21.4 million barrels of SSB
- Record annual production of 76.7 million barrels of SSB, representing the 17th record year in 20 years of operation
- Receipt of all necessary approvals for the new Aurora Mine
- Acquisition of Leases 29 and 30, adding approximately 1.2 and 1.3 billion barrels of recoverable bitumen respectively.

We are also extremely proud of Syncrude's record with regard to safety and environmental stewardship. During the year, Syncrude achieved a new standard of employee safety as its Disabling Injury Frequency (DIF) fell 75 percent from already-low 1997 levels. Syncrude contractors also set a new DIF safety mark and, combined with employees, completed 1998 with a record low injury severity rate. Environmental performance was also exceptional: there were no sulphur dioxide exceedences attributed to Syncrude and only one hour of opacity exceedence; in addition, sour gas flaring and use of the diverter stack was at its lowest rate in Syncrude's history.

Syncrude established these records despite three major events that impacted bitumen conversion and subsequent SSB shipments in 1998:

- Coker 8-1 was prematurely shut down for maintenance from January 14 – February 16, which resulted in the deferral of the 8-1 stretch project
- Coker 8-2 was unexpectedly shut down for 24 days on July 24 to remedy coke circulation problems
- In November, Diluent Recovery Unit Plant 7-1 was shut down for eight days to repair a furnace tube leak.

Another key 1998 record was capital expenditures of almost half a billion dollars to maintain Syncrude's operations and pursue the Business Plan growth targets outlined in last year's annual report. Capital spending increased significantly from 1997 ramp-up levels and was 35 percent higher than the previous record, set in 1985. In addition to completing Debottleneck I, expenditures included work on the second mining train in the North Mine, initial construction on the first mining train for the Aurora Mine and commencement of Debottleneck II. These programs comprise stages 1 and 2 of the Syncrude Business Plan and are designed to increase production capacity to 94 million barrels per year by 2000.

The Syncrude Joint Venture participants have agreed essentially to stay the course on the aggressive capital investment program announced last year, despite the current low oil price. The $6 billion "Syncrude 21" Business Plan, approved in 1997, proposes to double SSB production to 155 million barrels per year (almost 50,000 barrels per day net to Athabasca) by 2007. Athabasca's share of the capital expenditures required to fuel this growth in production will be approximately $70 million this year and next. Although no final decision has been made by the joint venture participants, Athabasca's share of capital spending could ramp up to $150 million in 2001.

Due to the current low crude oil price environment, Syncrude has developed several plans to improve near-term cash flow, including timing changes associated with Stages 3 and 4 of the Business Plan. If oil averages US$18.00 or more, the capital program contemplated in the 1998 plan could be funded entirely from cash flow, reflecting both the increased production and reduced royalties resulting from the capital investment.

As outlined in the initial public offering prospectus in 1995, the Athabasca Oil Sands Trust is governed by sound business practices with a view to long-term growth and value enhancement. Athabasca's Board of Directors determined that, following a $0.05 per Unit distribution in the first quarter, further 1998 distributions were not in the long-term interest of Unitholders and that distributable cash should instead be applied to Syncrude's capital-intensive expansion program. On March 12, 1999, the Trust entered into an agreement with a syndicate of underwriters to issue 2.75 million additional Trust Units at a price of $18.65 per Unit. The net proceeds of $49 million, combined with anticipated cash flow and available lines of credit, give the Trust the financial strength to fund its portion of the North Mine and Aurora Mine expansions while maintaining a prudent capital structure even if oil prices remain as low as US$12.00. It is the Board's belief that investment in this growth-oriented program will significantly enhance the fundamental value of our 29.75 million units.

We see exciting opportunities ahead for Athabasca, given Syncrude's almost limitless resource base, proven track record for reducing operating costs and exciting growth plans now underway. Building on strong 1998 operating results, Syncrude volumes are budgeted at 82 million barrels at an average cost below $13.00 per barrel in 1999. Reflecting these targets and the capital spending contemplated in the Business Plan, the Board expects to re-invest all 1999 cash flow into the Syncrude Project.

In closing, the Board of Directors of Athabasca Oil Sands Investments Inc. congratulates Syncrude employees for another record year. We also welcome Mr. Henry Sykes, who was appointed President and Chief Executive Officer and joined the Board in July 1998. Henry has been involved with the Trust since its inception in 1995.

On behalf of the Board of Directors of Athabasca Oil Sands Investments Inc.,

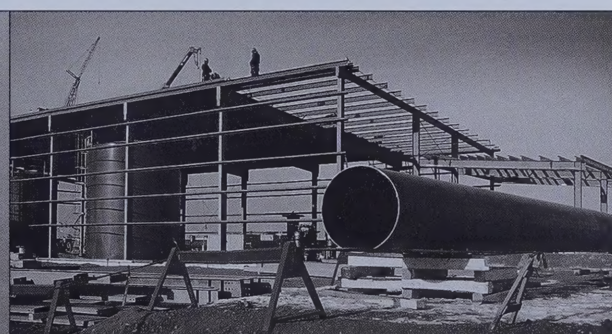
WALTER B. O'DONOGHUE
Chairman

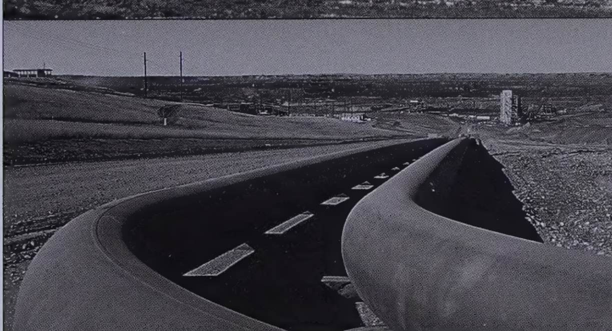
HENRY W. SYKES
President and Chief Executive Officer

March 12, 1999

Business Plan progress

On November 24, 1997, the Syncrude owners announced that they had approved a $6 billion, four-stage Business Plan to double production to more than 150 million barrels per year by 2007. The Plan requires three new mining trains and associated extraction facilities on the Aurora North leases, debottlenecking of the existing upgrading facility and installation of a third coker. Although the Plan has been approved, timing of the execution of Plan elements and annual budgets must still be confirmed by the owners who must also approve individual authorizations for expenditures for each stage.





STAGE 1: 82 million barrels SSB per year by 1999

100 million barrels bitumen/ year:	Capital [1]:	To 31/12/98	Yet to spend	Total
North Mine – 50 MM	Debottleneck I	$117 MM	(complete)	$117 MM
Base Mine SW Quadrant – 25 MM	North Mine	$229 MM	$127 MM	$356 MM
Base Mine NW Quadrant – 25 MM				$473 MM

[1] *Capital costs as spent, Canadian dollars.*

Engineering on the second mining train in the North Mine was finished, incorporating experience gained from the successful September 1997 start-up of the first North Mine train. Although the second train is scheduled to begin operations in third quarter 1999, Syncrude has set a stretch target of July 1, 1999 reflecting achievement of all 1998 scheduled project milestones. Each of the new trains is approximately 15 – 20 percent larger than the train it replaces in the East portion of the Base Mine, enabling Syncrude to convert more than 50 percent of its mine feed to new truck and shovel and hydrotransport technology. During the year, Debottleneck I was completed on schedule and below budget, increasing upgrader capacity to approximately 82 million barrels per year to process the additional bitumen production from the North Mine.

Although the North Mine is capable of production until 2025, the West portion of the Base Mine will reach its economic mining limits a few years after the East portion has been depleted. This production will be replaced by production from the Aurora Mine.

STAGE 2: 94 million barrels SSB per year by 2000

110 million barrels bitumen/ year:	Capital [1]:	To 31/12/98	Yet to spend	Total
Aurora Train 1 – 35 MM	Debottleneck II	$103 MM	$131 MM	$234 MM
North Mine – 50 MM	Aurora Train 1	$147 MM	$532 MM	$679 MM
Base Mine SW Quadrant – 25 MM				$913 MM

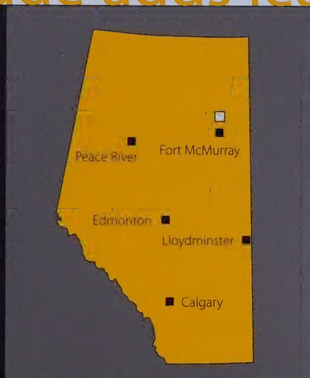
[1] *Capital costs as spent, Canadian dollars.*

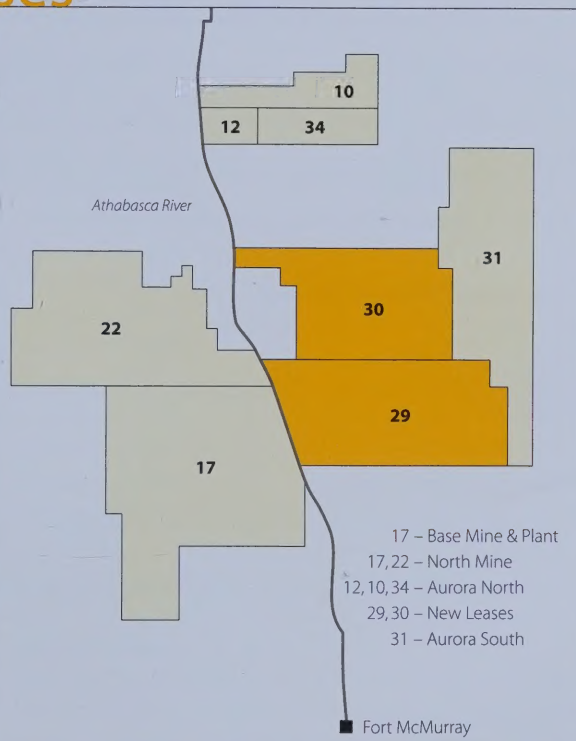
Syncrude has made excellent progress on the construction program underway at the mine and extraction facility on the Aurora North leases (leases 10, 12 and 34). Detailed engineering is 54 percent complete and plant work progress is on schedule, with the majority of the foundations now in place and all underground electrical and utility runs complete. Progress on the earthworks program is 63 percent complete and is one month ahead of plan.

Development of the Aurora Mine and the associated extraction plant will initiate a new, regional operation, with remote mines supplying a centralized upgrader. The first train at Aurora, scheduled to come on stream in July 2000, will increase bitumen production as the Debottleneck II project targets SSB production capacity of 94 million barrels per year. Regulatory approvals and final approvals by the owners were received for this stage in 1998.

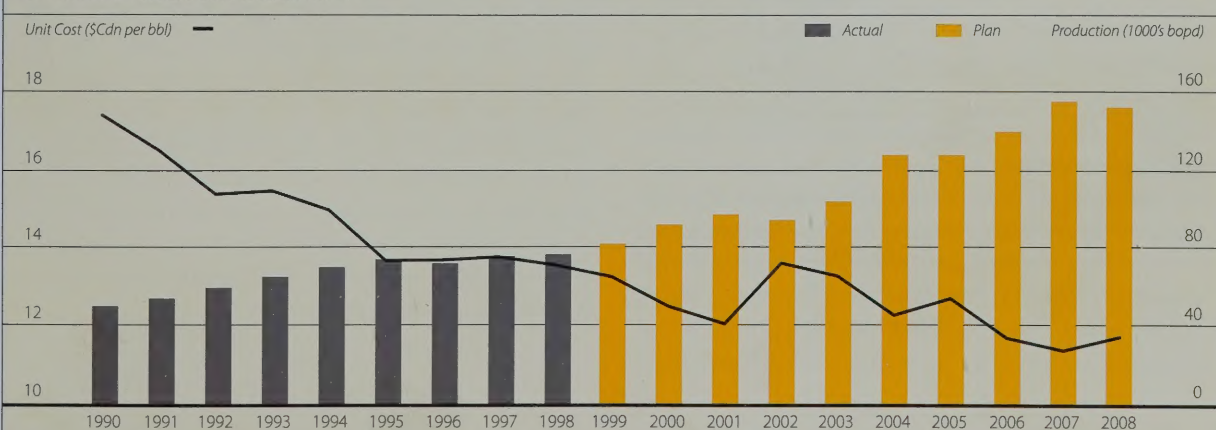
Syncrude adds leases

With the acquisition of Leases 29 and 30 in 1998, the Syncrude Joint Venture now holds eight leases with a total of 9.4 billion barrels of recoverable resource, representing about 60 years of production at levels set out in the Business Plan.





SYNCRUDE PRODUCTION AND COSTS



MD&A

Athabasca Oil Sands Trust Unitholders felt the full force of a 26 percent decline in the price of oil as distributions fell to just $0.05 per Trust Unit for the year ended December 31,1998. This compares to $1.65 for the year ended December 31,1997. The distribution is directly dependent upon the price received for Athabasca's 11.74 percent share of Syncrude's production and the operating results and capital requirements of the Syncrude joint venture. The following table is a summary of results for the years ended December 31, 1998 and 1997.

Consolidated Statements of Income

(thousands of dollars)	*Year ended December 31,* **1998**	1997
REVENUES		
Syncrude Sweet Blend	**$ 171,554**	$ 245,206
Other	**388**	732
	171,942	245,938
EXPENSES		
Operating	**121,622**	122,511
Administration and other	**2,753**	4,169
Crown royalties	**65**	23,696
Finance charges	**9,978**	9,215
Dividends on preferred shares of subsidiary	**360**	264
Depletion, depreciation and amortization	**25,903**	29,170
	160,681	189,025
Income before taxes	**11,261**	56,913
Capital and other taxes	**472**	239
Net income for the year	**$ 10,789**	$ 56,674

Results from Operations

Syncrude Sweet Blend 1998 revenues of $171.6 million were $73.6 million lower than 1997 as a result of lower prices and losses on foreign exchange contracts, partially offset by increased sales volumes. Syncrude set a new annual production record of 76.7 million barrels for 1998; this translated into sales volumes of 24,500 barrels per day for Athabasca, a 300 barrel per day increase over 1997. The record setting production occurred despite coke circulation problems in one of Syncrude's two fluid cokers that resulted in a 24-day shutdown in July and a furnace tube leak in one of the Diluent Recovery Plants that shut the unit down for eight days in November. Prices received are directly related to the spot price of West Texas Intermediate crude oil, which averaged US$14.43 per barrel for 1998 compared to US$20.61 per barrel for 1997. The prices Athabasca received in Canadian dollars for Syncrude Sweet Blend, excluding the effects of currency hedging, averaged $20.45 per barrel, down 26 percent from the 1997 price of $27.84 per barrel. Including the effects of currency hedging, Athabasca received an average price of $19.15 per barrel in 1998 compared to $27.67 per barrel in 1997. Other revenue includes income earned on short-term investments.

Total expenses decreased 15 percent to $160.7 million in 1998 from $189 million in 1997. Crown royalties were $23.6 million lower than the previous year as a result of the lower oil prices received and higher capital expenditures. Depreciation, depletion and amortization decreased by $3.3 million as the 1997 amounts included provisions for losses on the disposition of equipment. Operating costs of $121.6 million were $0.9 million lower than 1997 and, combined with the increase in production, resulted in an operating cost of $13.58 per barrel in 1998 compared to $13.82 per barrel in 1997. Finance charges increased as a direct result of the weakening Canadian dollar, as most of Athabasca's long-term debt is denominated in U.S. dollars. Administration and other costs are lower, as the administration fee paid to Gulf is calculated as a percentage of revenues less royalties and operating costs. Capital and other taxes is predominantly Large Corporations Tax (LCT).

Cash Flows

Athabasca's primary sources of capital in 1998 were cash flow from operations, an increase in long-term debt and cash-on-hand.

During the year, Athabasca's share of capital expenditures at Syncrude was $58.2 million, 40 percent higher than the $41.5 million expended in 1997. This increase is a result of the long-term Syncrude expansion plan, which is designed to double 1997 annual production levels by 2007. Major projects in 1998 included the Aurora Mine train 1, Debottleneck 1 and 2 projects, North Mine train 2 and the composite tails project.

Liquidity and Capital Resources

Long-term debt outstanding at December 31, 1998 was $125 million, compared to $106.2 million at the end of 1997. During 1997, Athabasca closed the offering of US$75 million of 8.2 percent senior notes due in 2027. The net proceeds of $102 million were used to repay $95 million of outstanding bank debt, with the balance being used to fund operating and capital expenditures in 1998. Athabasca has a $100 million Revolving Term Credit Facility and a $10 million Demand Line of Credit. At December 31, 1998, $11 million was drawn on the Revolving Term Credit Facility.

In November 1997, Syncrude announced a $6 billion expansion program that is intended to increase production capacity from 75.7 million barrels per year in 1997 to greater than 150 million barrels by the year 2007. The resulting capital budget for 1999 is approximately $70 million.

On March 12, 1999, the Trust entered into an agreement with a syndicate of underwriters to issue 2.75 million Trust Units at $18.65 per Trust Unit. The net proceeds of $49 million, combined with anticipated cash flow and available lines of credit, provide the Trust the financial strength to fund its share of production costs and capital expenditures related to the North Mine and Aurora Mine expansions currently underway, while maintaining a prudent capital structure even with crude oil prices as low as US$12.00.

Trust Royalty and Distributable Income

(thousands of dollars, except per unit amounts)	*Year ended December 31,* **1998**	1997
Revenues and expenses of Athabasca Oil Sands Investments Inc.	**$ 37,987**	$ 88,238
Capital expenditures	**(55,402)**	(43,347)
Additional borrowings	**11,000**	7,876
Site restoration costs	**(379)**	(382)
Mining reclamation trust	**(658)**	(538)
Financing costs	**0**	(1,407)
Reserve adjustments	**9,408**	(4,865)
Base for trust royalty	**$ 1,956**	$ 45,575
Trust royalty @ 99%	**$ 1,937**	$ 45,119
Net administrative expenses of the Trust	**(587)**	(569)
Distributable income from operations	**$ 1,350**	$ 44,550
Distributable income from operations per Trust Unit	**$ 0.05**	$ 1.65

Distributable Income

Distributable income is directly related to the royalty that the Trust receives from Athabasca Oil Sands Investments Inc. The Trust Royalty is the net result of Syncrude operations, capital expenditures and the administrative costs and expenses associated with Athabasca. In addition, management may at times hold back certain funds as a cash reserve to meet future cash needs.

Distributable income for the year ended December 31, 1998 was $1.4 million, down significantly from the $44.6 million distributed in 1997. Lower prices, losses on foreign exchange contracts and higher capital expenditures necessitated the use of additional borrowings and utilization of available cash reserves so that Athabasca could meet all of its obligations to the Syncrude joint venture. In light of Athabasca's existing debt level, Syncrude's capital expenditure program and low oil prices, total distributions for 1998 were $0.05 per Trust Unit.

Risk Management

Athabasca's results of operations are affected by the exchange rate between the Canadian and the U.S. dollars. The price received for Syncrude Sweet Blend is directly tied to the U.S. dollar price of crude oil, while most of the expenses, other than interest costs on the US$75 million senior notes, are denominated in Canadian dollars.

To reduce the impact of exchange rate fluctuations on revenues, Athabasca attempts to hedge its exposure by issuing debt in U.S. dollars and by entering into foreign exchange contracts. In the fourth quarter of 1996, Athabasca entered into foreign exchange contracts to sell U.S. dollars in the amount of $72 million, $84 million, $84 million and $96 million in 1998, 1999, 2000 and 2001 respectively, at exchange rates between US$0.768 and US$0.770 to C$1.00. During 1998, the weak Canadian dollar resulted in a loss on the hedge of $1.30 per barrel. At December 31, 1998, had these contracts been settled for cash, the loss would have been approximately $56 million based on quoted spot and foreign exchange rates. When the U.S. dollar declines relative to the Canadian dollar, Athabasca has a lower Canadian dollar equivalent cost of debt as well as a gain on the foreign exchange contracts, which partially offsets any resulting decline in revenues. Conversely, these strategies partially offset any increase in revenues derived from a stronger U.S. dollar. As at December 31, 1998, the Canadian dollar equivalent of Athabasca's US$75 million senior notes had increased by $10.7 million from the original amount as a direct result of the strengthening U.S. dollar. Athabasca has not engaged in any speculative foreign exchange transactions.

On January 1, 2000, many of the world's date sensitive computer systems may begin to fail due to programming that could lead them to read "00" as 1900. This issue, commonly referred to as "Year 2000" or "Y2K" is gaining prominence as January 1 approaches. Athabasca has considered its exposure on this issue and believes its greatest vulnerability arises from three sources:

- the systems in place at Syncrude;
- the systems in place at Gulf Canada Resources, the administrator of the Trust; and
- the systems of Montreal Trust as Trustee.

In recognition of the potential business risk, Syncrude Canada Ltd., Gulf and Scotiabank (Montreal Trust's parent company) each created a task force to develop and implement Y2K plans by year end 1998. This was done to reduce the risk that each source's critical date-dependent internal systems, as well as those of key business partners and service providers, would fail to operate effectively in the months leading up to the year 2000 and beyond.

During 1997, Syncrude Canada Ltd. took an inventory of various devices and systems to determine how critical the Year 2000 issue was to Syncrude operations and whether or not they were vulnerable to system failures associated with the date change. Subsequently, Syncrude developed an action plan to retire, upgrade or replace numerous items, and by year end 1998, had completed 98 percent of the work items identified. At year end 1998, approximately $15 million ($1.7 million net to Athabasca) had been spent of a total budget of $20 million ($2.4 million net to Athabasca). Athabasca expects that Syncrude will complete site-wide contingency plans by mid-1999 as part of its overall Y2K readiness plan.

For Athabasca's Unitholders, the system of most concern operated by the administrator, Gulf Canada, is the financial reporting software. Gulf has recently upgraded this software to a version it believes is Y2K compliant (capable of operating as expected in the months leading up to the year 2000 and beyond), alleviating the greatest concern. Athabasca management has reviewed Gulf's Y2K compliance plan and believes that the initiatives Gulf has taken are reasonable and provide a basis for confidence that Year 2000 issues will not impact Gulf's administration of Athabasca.

1999 Outlook

Athabasca anticipates that all available cash will be re-invested in the Syncrude Project, based on an estimated average annual West Texas Intermediate price of US$13.00 per barrel.

Syncrude production is budgeted at 82 million barrels for 1999, at an average operating cost of under $13.00 per barrel. Athabasca's share of this target is 9.6 million barrels, a seven percent increase over the record volumes produced in 1998.

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

Management's Responsibility for Financial Statements

The management of Athabasca Oil Sands Investments Inc. is responsible for preparing the accompanying consolidated financial statements. The financial statements were prepared in accordance with accounting principles generally accepted in Canada and are necessarily based in part on management's best estimates and judgements. When alternative accounting methods exist, management has chosen those it deems most appropriate in the circumstances. The financial information included elsewhere in the Annual Report is consistent with that contained in the financial statements.

Management maintains a system of internal control. Policies and procedures are designed to provide reasonable assurance that transactions are appropriately authorized, assets are safeguarded and financial records properly maintained to provide reliable information for the preparation of the consolidated financial statements.

KPMG, an independent firm of Chartered Accountants appointed by the Unitholders, have conducted an examination of the corporate and accounting records in order to express their opinion on the consolidated financial statements. The Audit Committee, consisting of the Board of Directors, has met with representatives of KPMG and management in order to determine if management has fulfilled its responsibilities in the preparation of the consolidated financial statements. The Board of Directors has approved the consolidated financial statements of the Trust herein.

David P. Carey

D.P. CAREY
Vice President and Chief Financial Officer
Calgary, Canada
January 26, 1999

D.G. FEUCHUK
Vice President and Treasurer

AUDITORS' REPORT

To the Unitholders of The Athabasca Oil Sands Trust

We have audited the consolidated balance sheets of the Athabasca Oil Sands Trust as at December 31, 1998 and December 31, 1997 and the consolidated statements of income and retained earnings, changes in financial position and trust royalty and distributable income for the years then ended. These financial statements are the responsibility of the Trust's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Trust as at December 31, 1998 and December 31, 1997 and the results of its operations and the changes in its financial position for the years then ended in accordance with generally accepted accounting principles.

KPMG LLP

Calgary, Canada
January 26, 1999

Chartered Accountants

(thousands of dollars) December 31,	1998	1997
ASSETS		
Current assets:		
Cash	**$ 0**	$ 29,169
Accounts receivable	**23,968**	23,876
Inventories *(note 3)*	**15,973**	14,510
Prepaid expenses	**843**	383
	40,784	67,938
Reclamation trust *(note 4)*	**1,628**	970
Capital assets, net *(note 5)*	**406,193**	372,684
Deferred charges	**12,072**	4,675
	$ 460,677	$ 446,267
LIABILITIES AND UNITHOLDERS' EQUITY		
Current liabilities:		
Bank indebtedness	**$ 2,176**	$ 0
Accounts payable and accrued liabilities	**21,956**	25,167
Unit distribution payable	**0**	13,500
Current portion of other liabilities *(note 6)*	**5,676**	1,986
	29,808	40,653
Other liabilities *(note 6)*	**10,618**	14,518
Long-term debt *(note 7)*	**124,972**	106,226
Future site restoration and reclamation costs *(note 4)*	**14,012**	13,042
Preferred shares of subsidiary *(note 8)*	**2,400**	2,400
	181,810	176,839
Unitholders' equity		
Trust Units *(note 9)*	**254,975**	254,975
Retained earnings	**23,892**	14,453
	278,867	269,428
	$ 460,677	$ 446,267

Contingencies *(note 10)*

See accompanying notes to consolidated financial statements.

Approved on behalf of Athabasca Oil Sands Trust by Athabasca Oil Sands Investments Inc., as Manager

WALTER B. O'DONOGHUE
Director

BRYCE W. DOUGLAS
Director

CONSOLIDATED STATEMENTS OF INCOME AND RETAINED EARNINGS

(thousands of dollars, except per unit amounts) Year ended December 31,	**1998**	1997
REVENUES		
Syncrude Sweet Blend	**$ 171,554**	$ 245,206
Other	**388**	732
	171,942	245,938
EXPENSES		
Operating	**121,622**	122,511
Administration and other	**2,753**	4,169
Crown royalties *(note 11)*	**65**	23,696
Finance charges	**9,978**	9,215
Dividends on preferred shares of subsidiary	**360**	264
Depletion, depreciation and amortization	**25,903**	29,170
	160,861	189,025
Income before taxes	**11,261**	56,913
Capital and other taxes	**472**	239
Net income for the year	**10,789**	56,674
Retained earnings, beginning of year	**14,453**	2,329
Unit distributions	**(1,350)**	(44,550)
Retained earnings, end of year	**$ 23,892**	$ 14,453
Net income per Trust Unit	**$ 0.40**	$ 2.10

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF CHANGES IN FINANCIAL POSITION

(thousands of dollars) Year ended December 31,	**1998**	1997
Cash provided by (used in):		
OPERATIONS		
Net income	**$ 10,789**	$ 56,674
Items not involving cash:		
Depletion, depreciation and amortization	**26,248**	30,750
Site restoration costs	**(379)**	(382)
Contribution to reclamation trust	**(658)**	(538)
Change in non-cash working capital	**(5,120)**	557
	30,880	87,061
INVESTMENTS		
Capital expenditures, net	**(58,165)**	(41,498)
Sub-total	**(27,285)**	45,563
FINANCING		
Decrease in other liabilities	**(210)**	(3,329)
Increase in long-term debt	**11,000**	102,876
Repayment of long-term debt	**0**	(95,000)
Net restricted cash	**0**	3,550
Deferred financing costs	**0**	(1,407)
	10,790	6,690
OTHER		
Current year unit distributions paid	**(1,350)**	(31,050)
Prior year unit distributions paid	**(13,500)**	(21,600)
	(14,850)	(52,650)
Decrease in cash	**(31,345)**	(397)
Cash, beginning of year	**29,169**	29,566
Cash (bank indebtedness), end of year	**$ (2,176)**	$ 29,169

See accompanying notes to consolidated financial statements.

(thousands of dollars, except per unit amounts) Year ended December 31,	**1998**	1997
REVENUES AND EXPENSES OF ATHABASCA OIL SANDS INVESTMENTS INC.		
Revenues	**$ 171,933**	$ 245,933
Operating expenses	**(121,622)**	(122,511)
Administration and other	**(2,158)**	(3,595)
Crown royalties	**(65)**	(23,696)
Interest on long-term debt	**(9,629)**	(7,654)
Capital taxes	**(472)**	(239)
	37,987	88,238
Capital expenditures	**(55,402)**	(43,347)
Additional borrowings	**11,000**	7,876
Site restoration costs	**(379)**	(382)
Mining reclamation trust	**(658)**	(538)
Financing costs	**0**	(1,407)
Reserve adjustments *(note 12)*	**9,408**	(4,865)
Base for Trust Royalty	**$ 1,956**	$ 45,575
Trust Royalty @ 99% *(note 12)*	**$ 1,937**	$ 45,119
Interest income of Trust	**8**	5
Administrative expenses of Trust	**(595)**	(574)
Distributable income from operations *(note 12)*	**$ 1,350**	$ 44,550
Distributable income from operations per Trust Unit	**$ 0.05**	$ 1.65

(tabular amounts expressed in thousands of dollars, except where otherwise noted)

1. GENERAL

Athabasca Oil Sands Trust (the "Trust") is a closed-end investment trust formed under the laws of the Province of Alberta. The Trust commenced operations on November 30, 1995, when a subsidiary of the Trust, Athabasca Oil Sands Investment Inc. ("Athabasca") acquired an 11.74 percent interest ("the Working Interest") in a joint venture involved in the mining and upgrading of bitumen from the Athabasca oil sands ("Syncrude"). The Working Interest acquired by Athabasca is subject to a royalty interest held by the Trust equal to 99 percent of the revenues of the Working Interest less certain defined costs and debt repayments incurred by Athabasca (the "Trust Royalty").

2. SUMMARY OF ACCOUNTING POLICIES

(a) Consolidation:

These consolidated financial statements include the accounts of the Trust and Athabasca. The activities of Syncrude are conducted jointly with others. These financial statements reflect only Athabasca's proportionate interest in such activities, which include the production volumes, operating costs, capital expenditures, and associated amounts payable. Substantially all other activities and balances in these financial statements, including sales, are applicable directly to the Trust or Athabasca.

(b) Revenue:

Revenue from the sale of Syncrude Sweet Blend is recorded at the plant gate and is net of a marketing fee, pipeline tariffs and foreign exchange gains and losses.

(c) Inventories:

Inventories of mined oil sands, intermediate products and finished components of Syncrude Sweet Blend are valued at the lower of the average cost of production for the period and net realizable value.

Materials and supplies inventories are valued at the lower of average cost and replacement cost.

(d) Capital assets:

Additions to property, plant and equipment are recorded at cost. Repairs and maintenance costs, are charged to expense in the period incurred.

Capitalized costs are amortized using the unit-of-production method based on estimated proved reserves at existing mine sites. Depreciation of plant and equipment is based on the estimated remaining useful lives of the assets using the straight-line method. For purposes of the depletion, depreciation and amortization provision, capital costs include costs of the acquisition and capital costs incurred.

The carrying value of capital assets is subject to uncertainty associated with the quantity of reserves. Future events could result in material changes to the carrying values recognized in the financial statements.

Estimated site restoration and reclamation costs are provided on a unit-of-production basis. Actual costs are charged against the accumulated provision when incurred.

In view of the uncertainties concerning environmental remediation, the ultimate cost of future removal and site restoration to Athabasca could differ from the amounts provided. The estimate of the total liability for future removal and site restoration costs is subject to change based on amendments to laws and regulations and as new information concerning Athabasca's operations becomes available. Future changes, if any, in requirements, laws, regulations and Athabasca's operations may be significant and would be recognized prospectively, as a change in estimate, when applicable. Environmental laws and regulations are continually evolving in all regions in which Athabasca conducts its activities. Athabasca is not able to determine the impact on its financial position, if any, of environmental laws and regulations that may be enacted in the future due to the uncertainty surrounding the ultimate form that these laws and regulations may take.

(e) Foreign Currency:

Transactions in foreign currencies are translated into Canadian dollars at the exchange rates prevailing at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated into Canadian dollars at year-end exchange rates. Exchange gains or losses are included in earnings with the exception of the unrealized gains or losses on translation of long-term monetary liabilities which are deferred and amortized over the remaining term of such liabilities on a straight-line basis.

(f) Forward Contracts:

Athabasca enters into forward foreign exchange contracts to hedge the effect of exchange rate fluctuations on identifiable foreign currency exposures. Gains and losses on forward contracts, which are used to manage such exposures, are deferred and recognized as a component of the related transaction.

3. INVENTORIES

December 31,	**1998**	1997
Materials and supplies	**$ 10,861**	$ 9,913
Mined oil sand	**736**	1,321
Intermediate products	**2,456**	1,888
Finished components	**1,920**	1,388
	$ 15,973	$ 14,510

4. FUTURE SITE RESTORATION AND RECLAMATION COSTS

The Trust and each of the participants are liable for their share of ongoing environmental obligations for the ultimate reclamation of Syncrude upon abandonment.

Syncrude Canada has posted a letter of credit with the Province of Alberta in the amount of $0.03 per barrel of Syncrude Sweet Blend produced since the inception of Syncrude to secure the ultimate reclamation obligations of the participants. Each of the participants is required to guarantee repayment of its share of this letter of credit to the issuing bank.

In addition, Athabasca agreed to deposit $0.05 commencing in 1996 and $0.12 commencing in 2001 (to be adjusted for inflation) for each barrel of Syncrude Sweet Blend produced and attributable to the Working Interest, to a mining reclamation trust established for the purpose of funding Athabasca's share of environmental and reclamation obligations in connection with Syncrude. In 1998, Athabasca deposited $0.07 per barrel to the mining reclamation trust.

The provision for future site restoration and reclamation costs for each of the years ended December 31, 1998 and 1997 of $1.3 million, ($0.15 per barrel of production) is included in the provision for depletion, depreciation and amortization. As at December 31, 1998, final reclamation costs were estimated to be about $1.3 billion (the Trust's share is $153 million).

5. CAPITAL ASSETS

December 31, 1998	**Cost**	**Accumulated depletion, depreciation and amortization**	**Net book Value**
Plant, facilities and equipment	**$ 423,006**	**$ 71,056**	**$ 351,950**
Oil sand leases	**10,426**		**10,426**
Capital projects-in-progress	**43,817**		**43,817**
	$ 477,249	**$ 71,056**	**$ 406,193**

December 31, 1997	Cost	Accumulated depletion, depreciation and amortization	Net book Value
Plant, facilities and equipment	$ 407,045	$ 46,229	$ 360,816
Oil sand leases	5,906		5,906
Capital projects-in-progress	5,962		5,962
	$ 418,913	$ 46,229	$ 372,684

6. OTHER LIABILITIES

December 31,	**1998**	1997
Liabilities for capital leases, utility plant and other (a)	**$ 6,785**	$ 6,917
Liabilities for capital acquisitions	**3,845**	1,849
Accrued pension benefits in excess of pension plan assets (b)	**2,108**	3,876
Post-retirement benefits other than pensions (c)	**3,556**	3,862
	16,294	16,504
Less estimated current portion	**(5,676)**	(1,986)
	$ 10,618	$ 14,518

(a) Capital leases, utility plant and other:

Other liabilities include $5.7 million at December 31, 1998 (1997 - $5.6 million), owing to the owner of the utility plant which provides electrical energy and steam to Syncrude. The owner of the plant charges Syncrude a cost of service for the provision of utilities. Pursuant to various agreements, cost of service includes operating costs, taxes attributable to the undertaking and depreciation. The liability amount is calculated as the accumulated excess of calculated cost of service over annual cash payments to the owner. Repayment will be in monthly installments between 1999 and 2003.

(b) Pension plan:

Syncrude Canada Ltd. has a defined benefit pension plan, which covers substantially all employees. The plan provides pensions based on length of service and the highest three years' average earnings during the last ten years of service with Syncrude Canada Ltd.

The Trust's 11.74 percent of the present value of accrued pension benefits and of the market value of plan assets available to provide for these benefits, as at December 31, is as follows:

	1998	1997
Accrued pension benefits	**$ 68,306**	$ 62,940
Pension plan assets	**$ 75,619**	$ 68,577

The Trust's share of pension expense for the years ended December 31, 1998 and 1997 was $1.4 million and $1.8 million, respectively.

The values of pension obligations and assets and the amount of pension costs charged to earnings depend on certain actuarial and economic assumptions. The assumptions used in the determination of the projected benefit obligations and pension expense are as follows:

	1998	1997
Assumed discount rate	**9.0%**	9.0%
Assumed rate of return on assets	**9.0%**	9.0%
Rate of increase in compensation levels	**4.0%**	4.0%

(c) Post-retirement benefits other than pensions:

Syncrude provides certain health care and life insurance benefits to retirees, their beneficiaries and covered dependents. These plans are funded on a pay-as-you go basis.

7. LONG-TERM DEBT

December 31,	**1998**	1997
8.2% senior notes payable 2027 (US$75 million) (a)	**$ 113,972**	$ 106,226
Revolving term credit facility (b)	**11,000**	0
	$ 124,972	$ 106,226

(a) 8.2% senior notes:

The notes are general unsecured obligations of Athabasca. Under the Indenture there are certain covenants, including limitations on mergers and sales of all or substantially all assets of Athabasca and limitations on granting liens or other security interests.

(b) Revolving term credit facility:

Athabasca entered into a $100 million revolving term credit facility with a banking syndicate, effective April 2, 1998. The amounts outstanding at the term date are repayable four (4) years from that date. The initial term date is April 2, 1999, and the term date may be extended annually upon Athabasca's request with the consent of lenders having 60 percent of the facility amount except that, if any lender does not participate in the extension, the amount of the facility is reduced by that lender's share unless such share is assumed by an existing or replacement lender. Amounts may be borrowed in U.S. or Canadian dollars through various mechanisms, including letters of credit, and at rates or margins based upon the rating categories assigned by designated agencies to Athabasca's long-term unsecured and unsubordinated debt. Amounts drawn during 1998 were drawn as banker's acceptances prevailing at the banker's acceptance rate of the lenders plus 0.35%. Any unused amounts of the credit facility are subject to a stand-by fee, again based upon the ratings from the designated agencies and this rate during 1998 was 0.10%. The loan agreement may limit Athabasca's ability to draw fully on the facility, depending upon cumulative capital expenditures and government approvals, and at year end 1998 approximately $50 million was available to Athabasca on this facility. The loan agreement contains a number of covenants, including limitations on mergers, sales of assets, and the granting of security interests. As of December 31, 1998, $11 million was drawn on the facility.

(c) Demand line-of-credit:

Concurrently with the revolving term credit facility, Athabasca entered into an agreement with the lead bank in the banking syndicate, providing for a demand line-of-credit equal to $10 million or its U.S. dollar equivalent. The purpose of this facility is to meet short-term cash requirements. Amounts may be borrowed through various mechanisms and are repayable on demand. Amounts borrowed in the form of banker's acceptances bear interest or margin charges at a floating rate based on the bank's banker's acceptance rate plus 0.35%. A number of the covenants contained in the revolving term credit facility are also applicable to this operating line-of-credit.

For the five years ending December 31,1999 through 2003, the only scheduled long-term debt repayment is $11 million on the revolving term credit facility in 2003.

8. PREFERRED SHARES OF ATHABASCA

On November 30, 1995, Athabasca issued 1,000 preferred shares to Gulf Canada Resources Limited ("Gulf") for aggregate consideration of $2.4 million. The preferred shares bear a preferential cumulative dividend, payable quarterly at a rate of 15 percent of the issue price of the preferred shares. The preferred shares are retractable at the option of Gulf under certain conditions relating to the continuation of the Trust, the disposition of the Trust Royalty, the continuation of the administrative services agreement between Gulf and Athabasca, and upon the non-payment of dividends for a total of five years. The preferred shares are redeemable at the option of Athabasca under certain conditions relating to the continuation and renewal of an administration services agreement between Gulf and Athabasca. The preferred shares entitle Gulf to elect two out of the five directors of Athabasca.

9. UNITHOLDERS' EQUITY

A maximum of 500,000,000 Trust Units have been created for issuance pursuant to the Trust Indenture.

The Trust Units represent beneficial interests in the Trust. All Trust Units will share equally in all distributions from the Trust and all Trust Units will carry equal voting rights. No conversion, retraction or pre-emptive rights attach to the Trust Units.

On November 30, 1995 the Trust issued 27,000,000 Trust Units at a price of $10.00 per unit for aggregate net proceeds of $254,975,000.

10. CONTINGENCIES

(a) Natural Gas Purchase Contracts:

Syncrude has entered into long-term natural gas purchase contracts which are subject to an annual price re-determination. As at December 31, 1998, based on current prices, Syncrude is required to pay a minimum of approximately $101.6 million annually (the Trust's 11.74 percent share is $11.9 million). The contracts expire at varying dates until 2003.

(b) General:

Various suits and claims arising in the ordinary course of business are pending against Syncrude Canada Ltd., the agent for the participants. While the ultimate effect of such actions cannot be ascertained at this time, in the opinion of the management of Athabasca, the liabilities which could reasonably be expected to arise from such actions would not be significant to these financial statements. Syncrude Canada Ltd. also has claims pending against various parties, the outcomes of which are not yet determinable.

11. CROWN ROYALTIES

The oil sands recovered by the Syncrude Project are subject to Crown royalties payable to the Province of Alberta. In late 1995 the Province of Alberta announced a generic royalty regime for all new oil sands projects in the Province. Under the new regime, new projects are subject to a minimum one percent gross revenue royalty until all costs (including prepaid gross revenue royalty) have been recovered, after which the royalty becomes the greater of a one percent gross revenue royalty and a 25 percent net revenue royalty. The net revenue royalty is 25 percent of the excess of the deemed sales revenues of the new project over allowed operating costs, actual capital costs and interest at the long-term Canada bond rate on all cost carryforwards. The generic regime became law in 1997.

Specific terms governing the transition from the previous royalty regime to the new regime for the Syncrude Project have been negotiated with the Province for the 1997 – 2003 period. These terms provide for a period of adjustment prior to the application of generic terms in 2004. The generic terms may apply earlier if aggregate capital expenditures since December 31, 1995 exceed $2.8 billion. During the transition period, capital expenditures will receive a royalty credit of 43 percent and the marginal royalty rate will gradually decrease from 50 percent of deemed net profit as production from the original base mine decreases and production from the new operations (North Mine and Aurora Mine) begins.

Obligations for Crown royalties are charged to income as they accrue, in accordance with the applicable terms. As the amounts payable are determined on the basis of actual capital costs, rather than the depletion and depreciation of the accumulated amounts, future amounts may increase as a percentage of net income.

12. TRUST ROYALTY AND DISTRIBUTABLE INCOME

Distributable income, as defined in the Trust Indenture, is distributed on the 15th day of the second month following the end of each calendar quarter.

During normal operations the production of Syncrude Sweet Blend is generally consistent from month to month, but maintenance programs, capital and other expenditures can occur in a less consistent manner. As a result, Athabasca has the right to hold back certain funds in the calculation of the Trust Royalty in order to meet its obligations. Athabasca can maintain, add to, or reduce the reserve as considered necessary provided that amounts withdrawn from the reserve are used to pay amounts deductible in the calculation of the Trust Royalty.

13. FINANCIAL INSTRUMENTS

(a) Exchange rates:

To reduce its exposure to exchange rate fluctuations, Athabasca entered into foreign exchange contracts in October 1996 to sell U.S. dollars in the amount of $84 million, $84 million and $96 million in 1999, 2000 and 2001, respectively at exchange rates between US$0.768 and US$0.770 to C$1.00. At December 31, 1998 had these contracts been settled for cash, the loss would have been approximately $56 million, based on quoted spot and forward exchange rates.

(b) Carrying amount and estimated fair value:

	December 31, 1998		December 31, 1997	
	Carrying Amount	Estimated Fair Value	Carrying Amount	Estimated Fair Value
8.2% senior notes	$ 113,972	$ 111,099	$ 106,226	$ 119,857

The fair value for the senior notes is based on the quoted market price. The fair value of all other assets and liabilities approximate their carrying value.

14. RELATED PARTY TRANSACTIONS

On November 30, 1995, Athabasca entered into an agreement with Gulf pursuant to which Gulf will provide administrative and support services to Athabasca for an initial term of seven years for a fee equal to 2.75 percent of revenue from the Working Interest less operating costs and Crown royalties (1998 - $1.4 million; 1997 - $2.8 million). In addition, Gulf will be reimbursed for its direct and out-of-pocket costs which were immaterial for 1998 and 1997.

On November 30, 1995, Athabasca entered into an agreement with Gulf pursuant to which Gulf agreed to market all of the Syncrude Sweet Blend attributable to the Working Interest for an initial period of seven years for a fee of $0.05 per barrel. $435,000 was paid to Gulf in 1997. Effective January 1, 1998, performance of this Agreement was assumed by Tidal Energy Marketing Inc., a corporation owned 50% by Gulf, and $441,000 was paid in marketing fees to that corporation in 1998.

During 1998, one of the owners of the Syncrude Project, acting on behalf of Athabasca, Gulf and other owners of the Syncrude Project, acquired a majority interest in an oil sands lease known as Lease 29. At approximately the same time, Syncrude Canada Ltd., on behalf of the owners of the Syncrude Project, acquired another oil sands lease known as Lease 30. At the time of the purchases, Gulf held an interest exceeding 20 percent in Lease 29 and 50 percent in Lease 30 which it sold to the applicable purchaser for the Syncrude Project. Each purchase remains subject to regulatory approval. Gulf's share of the gross sales proceeds, before adjusting for its share of the purchase price as one of the Syncrude Project purchasers, was less than $20 million. Any negotiations in which Gulf participated as a seller of Lease 29 or Lease 30 were conducted with Syncrude Canada Ltd. or other owners of the Syncrude Project acting at arm's length to Gulf.

15. INCOME AND OTHER TAXES

Taxation of Athabasca:

Trust Royalty payments by Athabasca to the Trust are deductible in computing Athabasca's taxable income and consequently Athabasca will generally be liable for income taxes on its net 1 percent interest.

Taxation of Trust:

The Trust records Trust Royalty payments received from Athabasca as income for income tax purposes. As the Trust is entitled to deduct its cost of acquiring the Trust Royalty (in the prescribed manner), its administrative costs, and distributions to Unitholders to the extent of its taxable income, the Trust is not expected to become liable for income taxes in the foreseeable future.

16. UNCERTAINTY DUE TO THE YEAR 2000 ISSUE

The Year 2000 Issue arises because many computerized systems use two digits rather than four to identify a year. Date-sensitive systems may recognize the year 2000 as 1900 or some other date, resulting in errors when information using year 2000 dates is processed. In addition, similar problems may arise in some systems which use certain dates in 1999 to represent something other than a date. The effects of the Year 2000 Issue may be experienced before, on, or after January 1, 2000 and, if not addressed, the impact on operations and financial reporting may range from minor errors to significant systems failure which could affect Athabasca's ability to conduct normal business operations. It is not possible to be certain that all aspects of the Year 2000 Issue affecting Athabasca, including those related to the efforts of customers, suppliers, or other third parties, will be fully resolved.

(thousands of dollars, except per unit amounts) (unaudited)	1998 1	1998 2	1998 3	1998 4	1997 1	1997 2	1997 3	1997 4
CONSOLIDATED INCOME								
Revenues	**$ 38,595**	**$ 48,476**	**$ 41,155**	**$ 43,716**	$ 59,595	$ 50,851	$ 67,714	$ 67,778
Expenses	**43,728**	**39,862**	**35,842**	**41,249**	42,719	43,880	51,109	51,317
Capital and other taxes	**69**	**57**	**111**	**235**	88	87	5	59
Net income (loss) for the period	**$ (5,202)**	**$ 8,557**	**$ 5,202**	**$ 2,232**	$ 16,788	$ 6,884	$ 16,600	$ 16,402
Net income per Trust Unit	**$ (0.19)**	**$ 0.31**	**$ 0.20**	**$ 0.08**	$ 0.62	$ 0.25	$ 0.62	$ 0.61
TRUST ROYALTY AND DISTRIBUTABLE INCOME								
Revenues and expenses	**$ 3,233**	**$ 13,578**	**$ 11,725**	**$ 9,451**	$ 22,958	$ 15,598	$ 24,605	$ 25,077
Capital expenditures	**(9,824)**	**(13,791)**	**(15,482)**	**(16,305)**	(8,517)	(13,869)	(10,852)	(10,109)
Additional borrowings	**0**	**3,000**	**(3,000)**	**11,000**	0	7,876	0	0
Site restoration costs	**(379)**	**0**	**0**	**0**	(308)	(17)	0	(57)
Mining reclamation trust	**(136)**	**(184)**	**(164)**	**(174)**	(122)	(110)	(151)	(155)
Financing costs	**0**	**0**	**0**	**0**	(220)	(1,163)	(24)	0
Reserve adjustments	**8,655**	**(2,440)**	**7,028**	**(3,835)**	(1,372)	(2,665)	189	(1,017)
Base for Trust Royalty	**1,549**	**163**	**107**	**137**	12,419	5,650	13,767	13,739
Trust Royalty @ 99%	**$ 1,534**	**$ 161**	**$ 106**	**$ 136**	$ 12,295	$ 5,593	$ 13,629	$ 13,602
Net administrative expenses of Trust	**(184)**	**(161)**	**(106)**	**(136)**	(145)	(193)	(129)	(102)
Distributable income	**$ 1,350**	**$ 0**	**$ 0**	**$ 0**	$ 12,150	$ 5,400	$ 13,500	$ 13,500
Distributable income per Trust Unit	**$ 0.05**	**$ 0.00**	**$ 0.00**	**$ 0.00**	$ 0.45	$ 0.20	$ 0.50	$ 0.50
MARKET VALUE PER SHARE *(dollars)*								
Toronto Stock Exchange								
High	**24.50**	**21.75**	**18.80**	**18.40**	22.75	23.25	27.60	27.35
Low	**18.20**	**16.10**	**14.00**	**15.10**	18.90	18.30	21.50	22.70
Close	**20.00**	**18.50**	**17.45**	**16.80**	20.25	23.00	27.00	24.25
Montreal Stock Exchange								
High	**24.45**	**21.75**	**18.75**	**18.40**	22.75	23.30	27.60	27.35
Low	**18.20**	**16.00**	**14.00**	**15.10**	18.75	18.30	21.50	22.75
Close	**20.10**	**18.50**	**17.45**	**16.85**	20.40	23.25	26.85	24.25

Annual Meeting

The annual meeting of Unitholders of the Athabasca Oil Sands Trust will be held in the Auditorium, 3rd floor, Gulf Canada Square, 401 – 9th Ave. S.W. in Calgary, Alberta, at 2 p.m. on Thursday May 13, 1999.

Trust Units

As of December 31, 1998, the Athabasca Oil Sands Trust had 27 million Trust Units issued and outstanding.

Also as of December 31, 1998, Athabasca had approximately 379 registered holders of Trust Units.

The Trust Units are listed and trade on the Toronto and Montreal stock exchanges in Canada. The symbol for the Trust is AOS.UN.

Distributions

Unitholders are entitled to receive quarterly cash distributions based on net cash flow generated from the royalty interest after certain costs and deduction.

Quarterly distributions for 1998 were paid on May 15 to Unitholders of record on May 8; Total Distributions for 1998 were $0.05 per Trust Unit.

Athabasca Oil Sands Trust has been able to designate all cash distributions to date as a return of capital for income tax purposes. It is anticipated that this will continue to be the case for several years, with cash distributions continuing to be categorized as a return of capital, reducing Unitholders' Adjusted Cost Base in the Trust Units.

Auditors

The auditors of the Athabasca Oil Sands Trust are
KPMG LLP, Chartered Accountants,
1200, 205 - 5th Avenue S.W.
Calgary, Alberta T2P 4B9

Registrar and Transfer Agent and Trustee

The registrar and transfer agent for the Trust Units of the Athabasca Oil Sands Trust is the Montreal Trust Company of Canada at its principal offices in Vancouver, Calgary, Regina, Winnipeg, Toronto, Montreal, Saint John, Charlottetown and St. John's in Canada. Montreal Trust is also the Trustee of the Trust.

Directors

Walter B. O'Donoghue, Q.C.
Chairman of the Board of Directors,
Athabasca Oil Sands Investments Inc.,
Partner, Bennett Jones
Calgary, Alberta

Henry W. Sykes
President and Chief Executive Officer,
Athabasca Oil Sands Investments Inc.
Senior Vice President, Business Development
and General Counsel
Gulf Canada Resources Limited
Calgary, Alberta

Bryce W. Douglas
Deputy Chairman and Director,
RBC Dominion Securities Inc.
Toronto, Ontario

Gordon J. Willmon
Corporate Director
Calgary, Alberta

E. Susan Evans, Q.C.
Corporate Director
Calgary, Alberta

Officers

Henry W. Sykes
President and Chief Executive Officer

David P. Carey
Vice President and Chief Financial Officer

Dennis G. Feuchuk
Vice President and Treasurer

Alan P. Scott
Corporate Secretary

Susan J. Calger
Assistant Secretary

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T2P 2H7
Tel: (403) 233-3434

For Additional Information:

Unitholders' changes of address or inquiries regarding Trust Units, the Distribution Reinvestment Plan (DRIP), or distributions should be directed to:

Montreal Trust Company of Canada
600, 530 - 8th Avenue S.W.
Calgary, Alberta, Canada
T2P 3S8
Attention: Stock Transfer,
Shareholder Communications
Tel: (403) 267-6555

www.athabasca-oilsands.ab.ca

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